

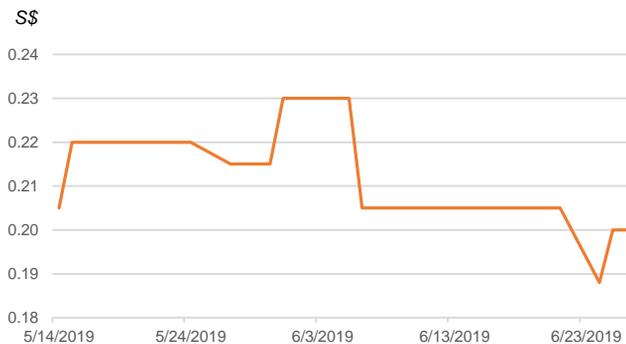
KTMG Limited

Date: 28 June 2019

Non Rated

KTMG SP

Price: S\$0.200 (as at 27 June 2019)



Share price	1M	3M	6M	1Y
KTMG	-7.0%	N/A	N/A	N/A
Catalist Index	-0.1%	-2.0%	-8.7%	-29.8%

Market capitalisation	S\$33.94 million
Current price	S\$0.200
Shares outstanding	169,681,592
Free Float	14.17%
Major shareholders	Wyandotte Capital Limited 50.09% Lim Siau Hing 30.35%
Recommendation of other brokers	N/A

Source: Company data, Bloomberg, SAC Advisors

Analyst

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Key Historical Financials

Year ended December (RM\$'000)	FY2015A	FY2016A	FY2017A	1H2017 (unaudited)	1H2018 (unaudited)
Revenue	140,431	160,068	218,301	78,124	106,390
% Growth	N/A	14.0%	36.4%	N/A	36.2%
Gross profit	28,067	30,483	35,842	13,005	14,703
Gross profit margin (%)	20.0%	19.0%	16.4%	16.6%	13.8%
Profit before tax	9,553	10,956	12,707	3,158	2,373
Profit before tax margin	6.8%	6.8%	5.8%	4.0%	2.2%
Profit after tax	7,499	7,756	8,830	2,140	1,439
Profit after tax margin (%)	5.3%	4.8%	4.0%	2.7%	1.4%
EPS (RM\$ cents)	4.4	4.6	5.2	1.3	0.8
P/E (x)	15.2	14.7	12.9	N/A	N/A
Net Debt/Equity	61.3%	38.2%	95.6%	N/A	137.7%

^EPS is computed based on the profit from continuing operations attributable to owners of the company divided by total shares outstanding
 N/A: Not Applicable
 Exchange Rate: 1SGD : 3.06RM

An experienced vertically integrated apparel manufacturer

An experienced apparel manufacturer with a different approach. With more than 30 years of experience in the apparel manufacturing industry, KTMG Limited and together with its subsidiaries, (“KTMG”, “Company” or the “Group”) has accumulated a wealth of experience and technical knowledge about the industry and has built and maintained strong relationship with many of its customers. To differentiate itself from its competitors, the Group adopts a co-creation business model instead of the traditional business model of manufacturing based on customers’ specifications.

The development of an integrated value chain. KTMG has recently also successfully expanded upstream into the knitting, dyeing, finishing and printing of fabrics with its very own fabric dyeing facility in Malaysia. By expanding upstream, the Group will have better control over the supply and quality of raw materials. Combining the upstream capability, manufacturing facilities and the co-creation model, KTMG is well position in the competitive apparel industry as an integrated textile and apparel player.

Specialising and focusing on niche segment. KTMG chose to focus on a niche segment of apparels, namely nightwear, lounge wear, casual wear and plus sized apparels as it believes that the demand for such apparels are usually less affected by seasonality as compared to other apparels. This is especially so for the Group’s specialisation in apparels for seniors and plus sizes apparels, which enables KTMG to gain a competitive edge over other suppliers.

Key risks: (i) Adverse changes and developments in global trade policies. (ii) Slowdown in consumer demand and worsening of economic situation in EU and the US.

Investment Highlights

An experienced apparel manufacturer with a different approach.

With more than 30 years of experience in the apparel manufacturing industry, KTMG has accumulated a wealth of experience and technical knowledge about the industry and has built and maintained strong relationship with many of its customers. To differentiate itself from competitors, the Group adopts a co-creation business model instead of the traditional business model of manufacturing based on customers' specifications. With the co-creation model, KTMG collaborates closely with customers on the product initiation process by providing valuable creative and functional fashion input. The co-creation business model enables KTMG to enhance product designs and functionalities and translate design concepts into successful products to serve its customers' needs.

Business Overview:

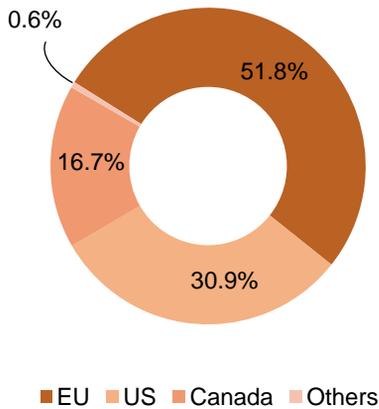
KTMG Limited engages primarily in the business of contract manufacturing of apparels, specialising in the manufacturing of nightwear, lounge wear, casual wear and plus sizes apparels in manufacturing facilities in Malaysia and Cambodia. The Group is currently expanding upstream into the knitting, dyeing, printing and finishing of fabric.

The development of an integrated value chain. Currently, KTMG operates a total of 3 manufacturing facilities, with 1 in Batu Pahat, Johor, Malaysia and 2 in Phnom Penh, Cambodia. They combine to operate a total of 35 production lines to support the sales to retailers in the European Union ("EU"), United States of America ("US") and Canada whom sell apparel products under their own brands. The Group has recently also successfully expanded upstream into the knitting, dyeing, finishing and printing of fabrics with its very own fabric dyeing facility in Malaysia. By expanding upstream, the Group will have better control over the supply and quality of raw materials. Combining the upstream capability, manufacturing facilities and the co-creation model, KTMG is well positioned in the competitive apparel industry as an integrated textile and apparel player.

Specialising and focusing on niche segment. KTMG chose to focus on a niche segment of apparels, namely nightwear, lounge wear, casual wear and plus sized apparels as it believes that the demand for such apparels are usually less affected by seasonality as compared to other apparels. The Group believes that it faces a fair amount of competition in the product categories of nightwear, lounge wear and casual wear for women. However, the Group's specialisation in apparels for seniors and plus sizes apparels, enables KTMG to gain a competitive edge over other suppliers. Other than having less competition in these niche segments, the Group has also built up a long-standing reputation with established customers, such as Bluestem Brands, Inc and Fullbeauty Brands, Inc, in these niche markets based on its competitive pricing and high-quality products.

Company Background

Sales by Export Markets (FY2017)



Source: Company data, SAC Advisors

- With more than 30 years of experience in the apparel manufacturing industry, KTMG engages primarily in the business of contract manufacturing of apparels, specialising in manufacturing of nightwear, lounge wear, casual wear and plus sizes apparels in Malaysia and Cambodia. The apparels are exported primarily to retailers in the EU, US and Canada, which sell these apparel products under their own brand names.
- The Group is headquartered in Malaysia and currently has 1 KTM Manufacturing Facility in Batu Pahat, Malaysia and 2 Cambodian Manufacturing Facilities in Phnom Penh, Cambodia. At present, the 3 manufacturing facilities collectively operate a total of 35 production lines.
- Recently, KTMG has also expanded its business upstream into knitting, dyeing, printing and finishing of fabric, which is the key raw material use in apparel manufacturing. The Group has constructed a new fabric dyeing facility in Batu Pahat, Malaysia. The upstream expansion would allow the Group to have an integrated supply chain and have better control over the supply and quality of raw materials.

Categories	Purpose	Main Customer(s)
Nightwear and Lounge Wear	<p>Nightwear – to be worn in bed and/or while sleeping</p> <p>Lounge Wear – casual clothes suitable for wearing at home, usually cosy, comfortable and fashionable</p>	<ul style="list-style-type: none"> Matalan Retail Limited (UK) Komar Brands, Inc. (US) Hunkermoller International B.V. (Europe)
Casual Wear for Seniors	Clothes developed for casual and non-formal occasions for seniors typically aged 51 and above	<ul style="list-style-type: none"> Bluestem Brands, Inc (US)
Casual Wear for Women	Clothes developed for casual and non-formal occasions for women	<ul style="list-style-type: none"> Matalan Retail Limited (UK) Ernsting's Family GMBH & Co. KG (Europe)
Plus sizes apparels	Apparels that are proportioned specifically for people whose body sizes are larger than the average person's body size, i.e. US size 14 and above	<ul style="list-style-type: none"> Fullbeauty Brands, Inc. (US)

Source: Company data, SAC Advisors

Corporate History

1981

Lim Siau Hing, with his wife and a business partner, set up a fabric knitting factory, Knit Textiles Industries Sdn. Bhd, where they gained invaluable knowledge and experience of the apparel industry and built up a network of contacts.

1988

Having recognised the growth potential of the apparel manufacturing industry in Malaysia, Lim Siau Hing set up Knit Textiles Mfg Sdn. Bhd. (“KTM”) to manufacture general apparels for exports, mainly to Europe, US and Canada.

1992

KTM achieved a sales revenue of more than RM13.0 million.

1993

KTM became the supplier of UK-based retailer, Matalan Retail Limited, who would remain as KTM’s major customer for the next 25 years.

1998

KTM expanded its operations. It moved from shop house premises to a bigger manufacturing facility to carry out contract manufacturing of apparels.

2002

Lim Vhe Kai, son of Lim Siau Hing, joined KTM with the aim to further KTM’s growth and expansion. Lim Vhe Kai focused on shifting KTM away from the traditional business model of manufacturing apparels based on customers’ specifications, towards collaborating with customers on product design by providing creative and functional fashion input. This brought about the start of co-creation business model.

2003

KTM achieved a revenue of more than RM40.0 million. KTM acquired a 14,000 sq. m land in Batu Pahat for the construction of a new and bigger factory premises to expand its production capacity.

2006

KTM relocated its apparel manufacturing operations into the new factory premises, which have a built-up area of more than 9,000 sq. m and a total of 10 production lines. The new premises also became the corporate headquarters when the Group expanded its operations into Cambodia.

2007

KTM set up Ocean Art and Embellishment Sdn. Bhd. (“OAE”) to provide embroidery services to KTM and other apparel manufacturers.

2009

The Group expanded its functions to provide design services to its customers through the co-creation business model. The Group will work closely with its customers in the initiation, concept and design, and manufacturing, of apparels.

Due to lower production costs in Cambodia and zero tariffs for apparels imported into Europe and Canada from Cambodia, KTM began outsourcing the production of some apparel products to third party contract manufacturers in Cambodia

Corporate History

2011

The Group started to move away from the manufacturing of general apparels to focus on a niche segment in nightwear, lounge wear, casual wear and plus sized apparels for men, women and children. The group believed that the demand for such apparels are less affected by seasonality.

The Group set up Moon Apparel (Cambodia) Co., Ltd, ("**Moon Cambodia**") a new apparel manufacturing facility in Phnom Penh, to capitalize the availability and lower costs of manpower and to increase its production capacity. The new facility has a built-up area of more than 3,000 sq. m and can accommodate up to a total of 8 production lines.

2013

Building on the success of Moon Cambodia, the Group set up Callisto Apparel (Cambodia) Co., Ltd. to operate another new apparel manufacturing facility in Phnom Penh. This new facility occupies a built-up area of more than 11,000 sq. m. and can accommodate up to a total of 21 production lines.

2014

The Group set up Xentika Limited in Seychelles to understak sales to US customers pursuant to the "first sale" program at the request of major US customers.

2015

The Group implemented the Euratex automated apparel hanger conveyor system into its sewing process at the Group's manufacturing facility to raise efficiency and productivity.

2016

OAE purchased 2 plots of land with a total area of more than 21,000 sq. m in Batu Pahat. The Group planned to expand its business upstream into the knitting, dyeing, finishing and printing of fabric, which is the key raw material for the production of apparel products. The upstream expansion would allow the Group to have better control over the supply and quality of raw materials.

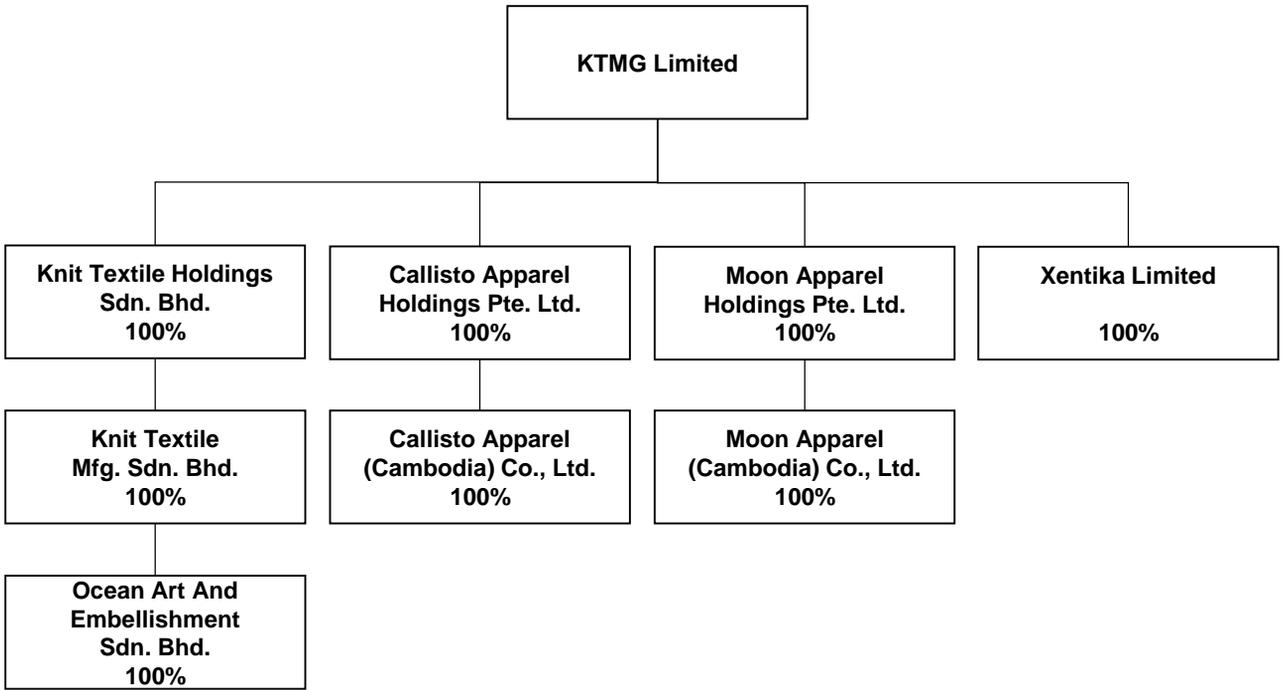
2017

OAE commenced the construction of the new fabric dyeing facility. The construction is expected to be completed and the dyeing and finishing operations are expected to commence in April 2019.

2019

The Group successfully completed its reverse takeover exercise and listed on the Singapore Exchange Catalist Board as KTMG Limited.

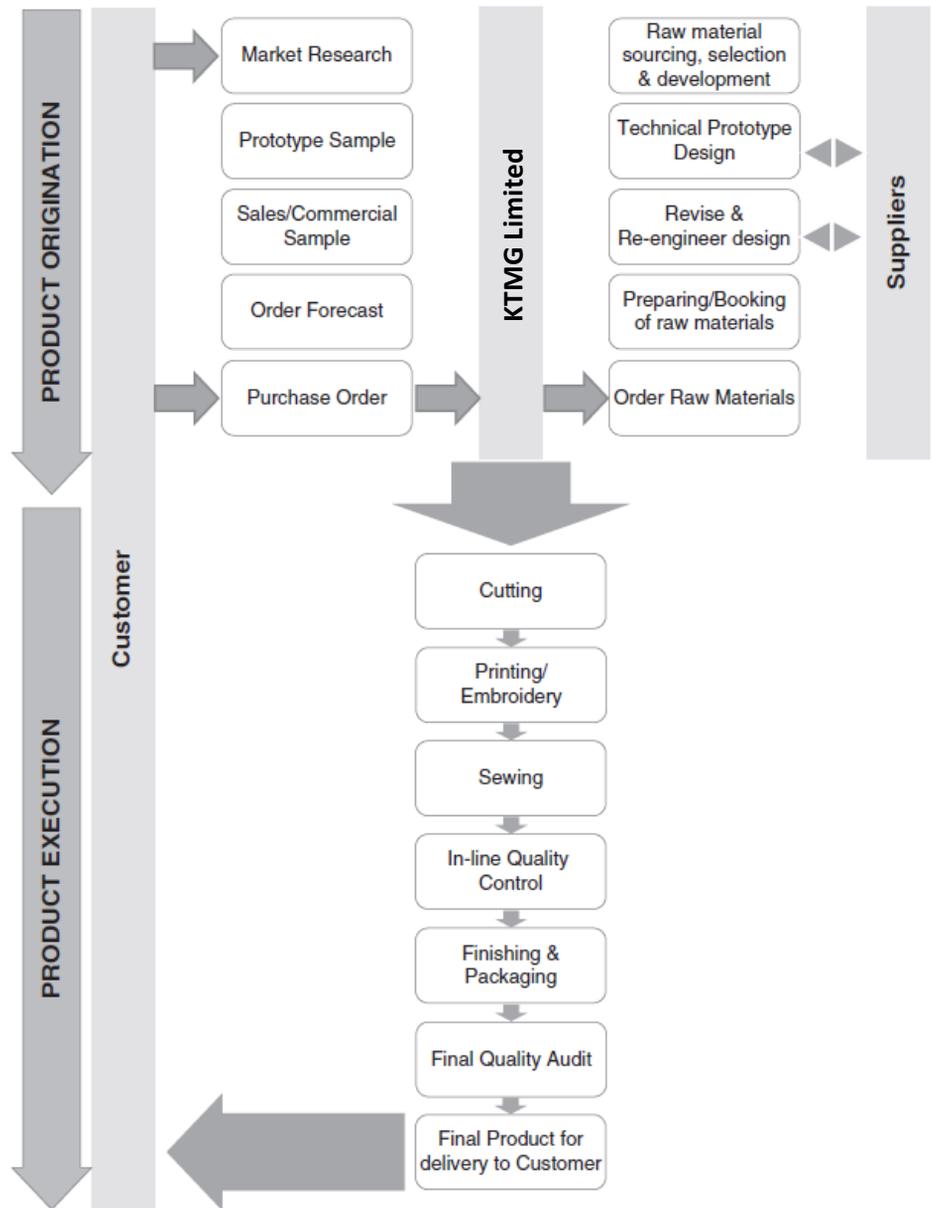
Corporate Structure



Source: Company data, SAC Advisors

Integrated value chain

With its co-creation business model, manufacturing facilities and fabric production capabilities, KTMG involves itself in the whole value chain of apparel manufacturing, from the conceptualisation of the product to the actual delivery of the product.



Source: Company data, SAC Advisors

Integrated value chain

i. Co-creation business model

The co-creation of a product may be initiated by the customer approaching KTMG with a product concept or the Group identifying certain trends and directions and reach out to a customer to discuss certain product concepts. With the extensive knowledge and wealth of experience it possesses, the Group is well positioned to offer valuable and practical advice to its customers.

The close collaboration enables the Group to gain valuable insights into constantly evolving fashion trends and market direction. This further allows KTMG to better understand the particular needs of individual customers as well as to initiate product concept and development at an earlier stage and turn new products into reality quickly, thus achieving higher speed-to-market. The co-creation business model enables KTMG to provide to customers the right product at the right time and at the right costs. This helps to translate design concepts into successful products to serve its customers' needs

ii. Manufacturing facilities

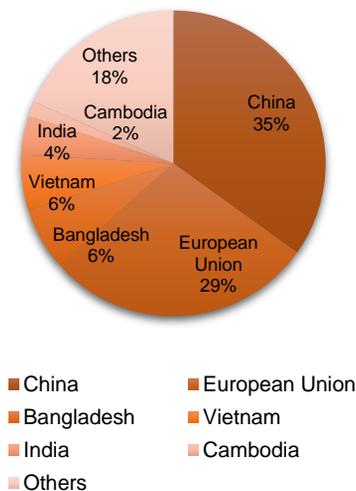
Started off as a manufacturer of general apparels in 1988 as KTM, the Group has over 30 years of experience in the trade of apparel manufacturing. Currently, KTMG has 3 manufacturing facilities, with 1 in Malaysia and 2 in Cambodia, which collectively have a total of 1,786 production workers operating 35 production lines. As manufacturing is a labour-intensive industry, KTMG has chosen Cambodia to expand its manufacturing facilities to take advantage of the lower cost of labour while continuing to enjoy the trade benefits. The Group has also implemented the Euratex automated apparel hanger conveyor system in the manufacturing facility in Malaysia, which has helped to reduce the number of workers needed and increased efficiency and productivity.

iii. Upstream expansion

One of the principal raw materials for apparel manufacturing is fabric. By expanding its apparel manufacturing operations upstream into the knitting, dyeing, finishing and printing of fabric, the Group is able have better control over its supply of raw materials and their quality. KTMG has recently completed the first phase of its upstream expansion with the construction of its very own fabric dyeing facility in Batu Pahat, Malaysia. The current dyeing and finishing capacity of the facility is approximately 100,000 kg per month, which are partially utilized for its in-house apparel production while the remaining fabric are supplied to third party apparel manufacturers. By adding fabric production capabilities, it positions KTMG competitively as an integrated textile and apparel manufacturer in the international sourcing market.

Industry Overview

Top exporters of clothing



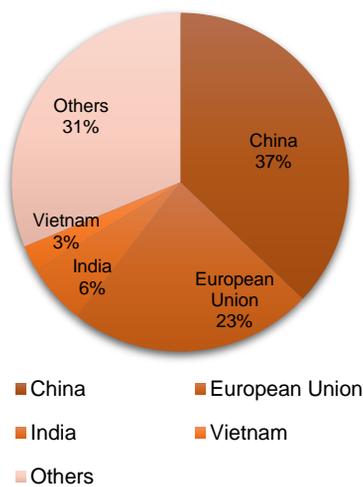
Source: WTO, SAC Advisors

The European Union was the biggest importer of clothing in the world in 2017

The apparel manufacturing industry is a global industry that is highly fragmented, with a large number of manufacturers with different scale of operations located worldwide. A large number of these manufacturers are located in Asia due to, among other things, primarily the availability of manpower and low cost base. The manufactured apparel products are typically exported globally, and particularly to the more developed markets.

According to the latest data released by the World Trade Organisation (“WTO”), the World Trade Statistics Review 2018 indicate that in 2017, the People’s Republic of China (“PRC”), Bangladesh, Vietnam and India ranked among the top five (5), and Cambodia ranked the ninth, biggest exporters of clothing in the world. Among the top 10 exporters, Vietnam, Cambodia and Bangladesh saw the greatest annual percentage growth in export value at 14%, 13% and 10% respectively.

Top exporters of textiles



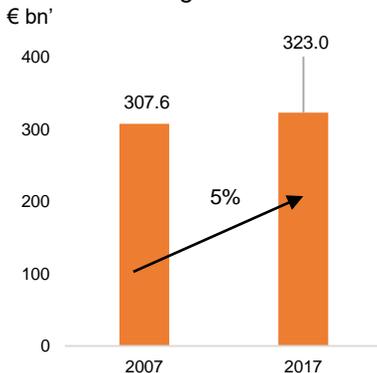
Source: WTO, SAC Advisors

In terms of the top exporters of textiles, this is less fragmented, and China, the European Union (“EU”), India and Vietnam account for 69% of the total share of textile exports.

According to statistics from Eurostat – the statistical office of the EU -, the EU (which includes the 28 member states of the EU and the United Kingdom (“UK”), which despite being in the process of exiting is currently still a member state of the EU) was the biggest importers of clothing in the world in 2017. Data from Eurostat further indicate that, over a period of ten (10) years from 2007 to 2016, the total household consumption expenditure on clothing in the EU has continued to grow gradually, while consumption expenditure on clothing in the UK has grown at a faster pace.

The total household consumption expenditure on clothing in the EU has grown from around €307.6 billion in 2007 to around €323.0 billion in 2016, an increase of approximately 5.0%. In the UK, the total household consumption expenditure on clothing has grown from around €59.3 billion in 2007 to around €68.2 billion in 2016, an increase of approximately 15.0%.

Total Household consumption expenditure on clothing in the EU



Source: Eurostat, SAC Advisors

Specifically, the import of articles of apparel and clothing accessories into the EU and UK from countries outside of the EU has been steadily increasing. Specifically, the import of articles of apparel and clothing accessories into the EU from countries outside of the EU has grown from around €61.8 billion in 2007 to around €86.6 billion in 2016, an increase of approximately 40.1%. In the UK, the import of articles of apparel and clothing accessories into the UK from countries outside of the EU has grown from around €12.6 billion in 2007 to around €14.4 billion in 2016, an increase of approximately 14.3%.

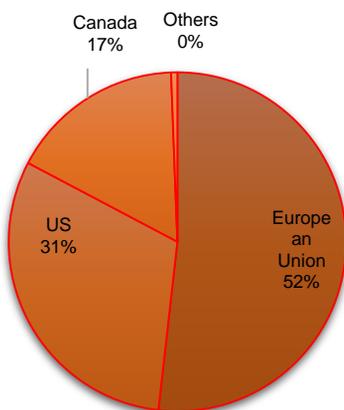
Industry Overview

Import of articles of apparel and clothing and accessories into the EU and UK from Cambodia has increased significantly

Specifically, the import of articles of apparel and clothing accessories into the EU from Cambodia has grown from around €528.7 million in 2007 to around €3.4 billion in 2016, an increase of approximately 543.1%. In the UK, the import of articles of apparel and clothing accessories into the UK from Cambodia has grown from around €122.9 million in 2007 to around €724.9 million in 2016, an increase of approximately 489.8%.

Growing trend of overweight and obese Americans positive to KTMG

Top exporters of clothing



- European Union
- US
- Canada
- Others

Source: Company data, SAC Advisors

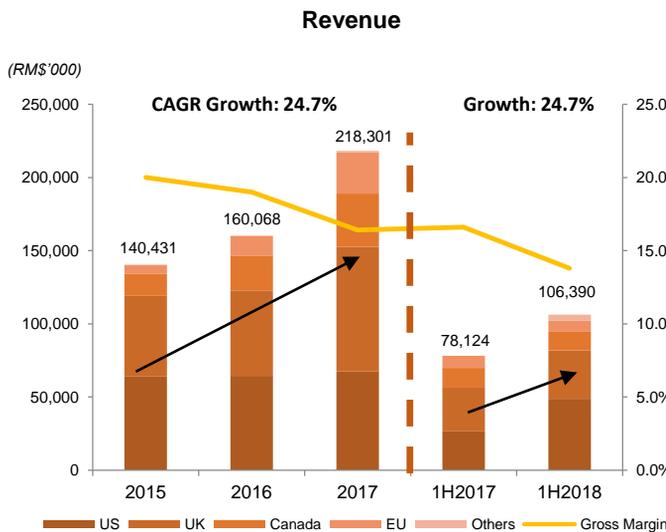
As noted above, the US was the second biggest importer of clothing in the world in 2017. A couple of trends in the US demographics is worth noting, being the increase in the ageing population and in the population that is overweight or obese. In terms of an ageing population, according to statistics of the US Census Bureau, residents aged 65 and above in the US grew from around 35.0 million in 2000 to around 50.9 million in 2017(2). Based on the above, for the period from 2000 to 2017, there has therefore been an approximately 45.4% increase in the absolute number of residents aged 65 and above. At the same time, the number of residents aged 65 and above as a percentage of the total population has also increased from approximately 12.4% to approximately 15.6% over the same period.

The ageing population in the US is expected to continue to increase, such trend being largely driven by the baby boomer generation, referred to by the US Census Bureau as persons born between 1946 and 1964. Based on the US Census Bureau, the US population aged 65 and above is projected to increase from around 49.2 million in 2016 to around 94.7 million in 2060. Based on the above, for the period from 2016 to 2060, the absolute number of residents aged 65 and above is projected to increase by approximately 92.5%. At the same time, the number of residents aged 65 and above as a percentage of the total population is also projected to increase from approximately 15.2% to approximately 23.4% over the same period. In terms of the population that is overweight or obese, based on statistics from the US Department of Health and Human Services, the percentage of Americans aged 20 and above who were overweight or obese had increased from approximately 56.0% during the period from 1988 to 1994, to approximately 69.5% during the period from 2011 to 2014. The above trend is advantageous to KTMG as they are looking to expand their presence in this underserved market.

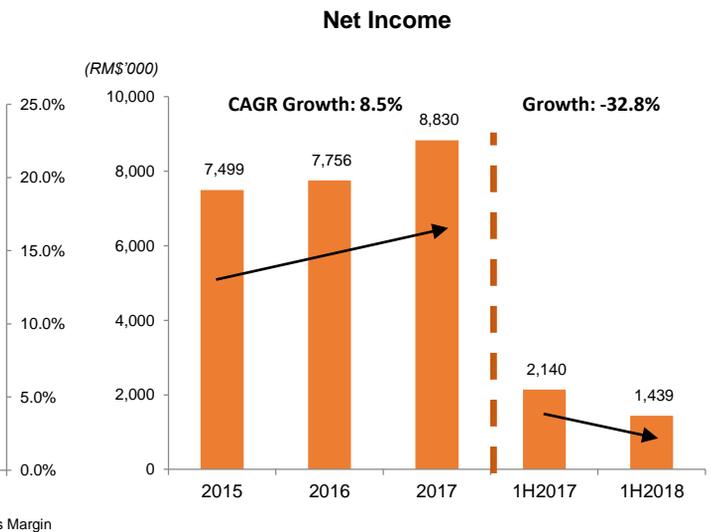
Financial Summary

Strong top-line growth over the last 3 financial years

The main source of revenue for KTMG is the export of manufactured apparels to customers in the EU, the UK, the US and Canada. Revenue grew at a CAGR of 24.7% between FY2015 and FY2017. This was largely attributable to the higher demand from existing customers and contribution by new customers secured. For 1HFY2018, revenue grew 24.7% year-on-year to RM\$106.4 million. This was largely due to higher demand for apparels sold to existing customers in the UK and the US. In particular, two of its existing customers had shifted its orders to KTMG when their suppliers in Taiwan and Cambodia had ceased operations. Sales in other countries also increase as the Group managed to secure new customers.



Source: Company data, SAC Advisors



Source: Company data, SAC Advisors

Between FY2015 and FY2017, gross margin decreased from 20.0% to 16.4% largely due to an increase in fabric price and subcontracting costs to cope with the increase in sales during peak seasons. For 1HFY2018, the Group's gross margin decreased by 2.8 percentage points from approximately 16.6% in the corresponding period to 13.8% due mainly to competitive selling price, and higher raw material and direct labour costs and subcontracting costs incurred to meet the tight production timeline.

Overall, net income of KTMG increased from RMS\$7.5 million in FY 2015 to RMS\$8.8 million in FY2017, representing a CAGR growth of 8.5%. However, net income for 1HFY2018 decreased by 32.8% to RM\$1.4 million due to higher expenses despite a large increase in revenue.

Future Plans and Growth Strategy

Continual upstream expansion

Moving ahead, KTMG plans to install additional fabric dyeing and finishing equipment and machinery in the fabric dyeing facility in Batu Pahat, which will help to increase the current dyeing and finishing capacity of approximately 100,000 kg per month to approximately 150,000 kg per month by around December 2019 and 200,000 kg per month by December 2022. The Group also intends to commence construction of a new fabric knitting factory in 2022 on the second plot of land that OAE has acquired and eventually expand its operations to include fabric printing and fabric knitting capabilities.

To stay competitive, the Group also intends to set up its own research and development team to conduct research into areas such as the development of new techniques and processes for knitting, dyeing and post-processing treatment, formulation and improvement of dye mixtures as well as the development of new value-added functionalities for fabrics.

Expansion into Southern Hemisphere

To optimise the production capacity and increase the utilisation rate of the Group's manufacturing facilities, KTMG plans to expand its customer base to Australia, which is located in the Southern Hemisphere where the winter holiday season is in the months of June to August. This opposes to the Group's current portfolio of customers in the EU, US and Canada which are located in the Northern Hemisphere, in which major festive seasons and the winter holiday season are in the months of October to December.

As of now, sales are generally lower after the months of May to September (the period leading up to the major festive seasons and the winter holiday season in the EU, US and Canada). By expanding into Australia, the Group will then be able to increase its overall sales during its non-peak months of January to April leading up to the winter holiday season in Australia.

Expansion and diversification of manufacturing facilities

The Group is exploring the possibility of setting up new manufacturing facilities in countries such as Vietnam and Myanmar to enjoy the low production and labour costs.

Key Risks

Adverse changes and developments in global trade policies

On 1 January 2015, the World Trade Organisation (“WTO”) abolished the textile and apparel quotas, which eliminated the use of quotas in all textile and apparel trade between members of the WTO. This boded well for KTMG as it was able to enjoy the lower cost of production in Cambodia and Malaysia and freely sell their products to the targeted regions such as EU, US and Canada. However, new quotas, higher tariffs or other trade barriers may be introduced or imposed which could potentially affect the countries in which the Group carries out its operations and/or the countries in which the Group sells its products.

Economic situation in the EU

KTMG generates a substantial percentage of its revenue from the EU. As such, the consumer demand and macroeconomic conditions in the EU would greatly influence the results of the Group’s operations and profitability. Moreover, the circumstances in which the UK leaves the EU could also generate further economic uncertainty, which might also lead to new trade agreements between the UK and other countries and possible imposition of trade or other regulatory barriers in the UK. These possible negative impacts and others implications from the UK’s eventual withdrawal from the EU may materially and adversely affect KTMG.

Policy changes in the US

The US is the 2nd largest contributor to KTMG’s revenue. The current administration of the US president Donald Trump has made substantial changes to domestic and international policies. In particular, the US has imposed or threatened to impose tariffs on a range of goods imported into the US from various countries, particularly the PRC. This has led to retaliatory and the threat of retaliatory measures being adopted by the PRC and other relevant countries. The fear of a potential trade war has led to volatility in the financial markets. The Trump administration may continue to adopt and implement further changes to the domestic and international policies of the US, which would bring about more uncertainty to the US and global economy.

Management

Mr. Lim Siau Hing is the Founder and Executive Chairman of the Company. He has accumulated close to 50 years of experience in the textile and apparel industry, including technical and managerial experience and knowledge in the knitting and dyeing of fabric as well as manufacturing of apparels. He graduated from Feng Jia College, Taiwan, with a diploma in textile in 1969 and started his career as a supervisor in a yarn factory in Taiwan before becoming a production manager in Oriental Industries Private Limited in Singapore in 1970 and Syntex Industries Sdn Bhd in Malacca in 1974. In 1977, he and a few business partners set up Minat Industries Sdn Bhd, a fabric dyeing factory, in Batu Pahat before leaving in 1981 to set up Knit Textiles Industries Sdn Bhd, a fabric knitting factory. In 1998, he, with his wife, founded Knit Textiles Mfg Sdn. Bhd. (“KTM”) and was instrumental in expanding its operations and developing it into the KTMG Limited of today. Lim Siau Hing is the father of Lim Vhe Kai.

Mr. Lim Vhe Kai is the Executive Director and Chief Executive Office of the Company. He has been with KTM since 2002 and has accumulated more than 16 years of experience in the apparel manufacturing sector. He graduated with a Bachelor of Science, Computer Information Systems (Honours) from the University of Windsor In Canada in 1997. He worked as Information Technology Executive, System and Network Engineer and Group Network Security Consultant in various companies before joining the Group in 2002 to be in charge of the marketing functions of the Company and also to oversee the sourcing and purchasing, product development and merchandising departments.

Mr. Chew Chong Kiat is the Chief Operating Officer of the Company and is in charge of the day-to-day operations of the Group. He joined the Group in July 2002 and oversaw the human resource, administration, shipping, IT and production department of the Company. Prior to joining the Group, he was a lecturer of economics at Sepang Institute of Technology, Klang. Before his career switch to the education sector, he was a credit control officer with Malpac Securities Sdn Bhd from 1996 to 1998 and an operations officer in Wah Tat Bank Berhad from 1999 to 2000. He graduated with a Bachelor of Arts, and a double major in Economics and Industrial Relations, from the University of Toronto, Canada in 1995.

Mr. Low Yong Heng is the Financial Controller of the Company and is in charge of accounts and finance department of the Group. He joined the Group in September 2017. He began his career as an auditor before joining the commercial industry where he served for more than 20 years in various disciplines including, audit, financial advisory, trading, manufacturing, construction and property development. He graduated with a Bachelor Degree of Commerce from University of Wollongong in 1993. He is also a member of Certified Practising Accountants (CPA Australia) and the Malaysian Institute of Accountants (MIA).

Income Statement (RM\$'000)

	Fiscal Year Ended				
	FY 2015	FY 2016	FY 2017	1H 2017 (unaudited)	1H 2018 (unaudited)
Revenue	140,431	160,068	218,301	78,124	106,390
Cost of sales	(112,364)	(129,585)	(182,459)	(65,119)	(91,687)
Gross profit	28,067	30,483	35,842	13,005	14,703
Other income	489	573	1,492	200	75
Administrative and general expenses	(10,616)	(11,940)	(16,084)	(7,884)	(8,267)
Selling and marketing expenses	(7,112)	(7,201)	(7,272)	(1,577)	(3,395)
Operating Profit	10,828	11,915	13,978	3,744	3,116
Interest income	234	244	251	4	117
Finance costs	(1,509)	(1,203)	(1,522)	(590)	(860)
Profit before income tax	9,553	10,956	12,707	3,158	2,373
Income tax expense	(2,054)	(3,200)	(3,877)	(1,018)	(934)
Net Profit	7,499	7,756	8,830	2,140	1,439

Cash Flow Statement (RM\$'000)

	Fiscal Year Ended				
	FY 2015	FY 2016	FY 2017	1H 2017 (unaudited)	1H 2018 (unaudited)
Profit before tax	9,553	10,956	12,707	3,158	2,373
Depreciation & amortisation	3,451	3,668	3,770	1,873	2,015
Change in working capital	(470)	(934)	(18,640)	(15,413)	(9,656)
Others	(974)	(2,598)	(3,391)	157	(767)
Net Cash (used in)/ from operations	11,560	11,092	(5,554)	(10,225)	(6,035)
Purchase of PPE	(3,146)	(3,795)	(16,806)	(1,716)	(7,608)
Others	744	437	701	4	208
Net Cash (used in)/ from investing	(2,402)	(3,358)	(16,105)	(1,712)	(7,400)
Net change in equity	0	0	0	0	0
Net change in debt	(5,042)	(2,813)	19,375	12,650	16,491
Others	(833)	(239)	(239)	0	3,649
Dividends paid	(519)	(1,409)	(1,424)	(527)	(3,813)
Net Cash (used in)/ from financing	(6,394)	(4,461)	17,712	12,123	16,327

Balance Sheet (RM\$'000)

	Fiscal Year Ended				
	FY 2015	FY 2016	FY 2017	1H 2017 (unaudited)	1H 2018 (unaudited)
As at 31 Dec					
Inventories	24,680	25,427	30,526		70,640
Trade and other receivables	17,881	22,286	51,304		42,882
Other current assets	1,071	1,501	1,320		1,261
Cash and short-term deposits	12,442	16,041	12,484		11,527
Total current assets	56,074	65,255	95,634		126,310
Property, Plant and Equipment	32,132	32,740	44,979		50,476
Total non-current assets	32,132	32,740	44,979		50,476
Total assets	88,206	97,995	140,613		176,786
Trade and other payables	21,469	27,832	48,071		66,776
Borrowings	27,495	30,012	40,210		51,432
Tax payable	992	762	1,712		1,630
Total current liabilities	49,956	58,606	89,993		119,838
Borrowings	5,092	442	9,910		15,624
Deferred tax liabilities	274	1,169	1,324		1,005
Total non-current liabilities	5,366	1,611	11,234		16,629
Total liabilities	55,322	60,217	101,227		136,467
Share Capital	0	0	0		0
Retained earnings	18,125	22,381	25,211		26,222
Merger reserve	11,532	11,532	11,532		11,532
Foreign currency translation reserve	3,227	3,865	2,643		2,565
Equity attributable to shareholders	32,884	37,778	39,386		40,319
Total Equity	32,884	37,778	39,386		40,319
Total liabilities and equity	88,206	97,995	140,613		176,786

Ratios

	Fiscal Year Ended				
	FY 2015	FY 2016	FY 2017	1H 2017 (unaudited)	1H 2018 (unaudited)
Profitability (%)					
Gross profit margin	20.0%	19.0%	16.4%	16.6%	13.8%
Operating profit margin	7.7%	7.4%	6.4%	4.8%	2.9%
Profit before tax margin	6.8%	6.8%	5.8%	4.0%	2.2%
Profit after tax margin	5.3%	4.8%	4.0%	2.7%	1.4%
Liquidity (x)					
Current ratio	1.1	1.1	1.1	N/A	1.1
Quick ratio	0.6	0.7	0.7	N/A	0.5
Interest coverage ratio	7.2	9.9	9.2	N/A	3.6
Net Debt to Equity	0.6	0.4	1.0	N/A	1.4
Valuation (x)					
P/S	0.8	0.7	0.5	N/A	N/A
P/E	15.2	14.7	12.9	N/A	N/A
P/E (ex-cash)	13.6	12.7	11.5	N/A	N/A
P/B	3.5	3.0	2.9	N/A	2.8
EV/EBITDA	9.4	8.3	8.6	N/A	N/A
Cash Conversion Cycle					
Trade receivable days	43	39	55	-	74
Inventory days	74	71	56	-	101
Trade payable days	48	47	53	-	90
CCC days	69	63	58	-	85
Returns					
Return on equity	N/A	22.0%	22.9%	10.9%	7.1%
Return on capital employed	N/A	13.3%	12.4%	5.8%	3.9%

N/A: Not Applicable
Exchange Rate: 1SGD:3.06RM

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